

BEFORE THE IDAHO BOARD OF TAX APPEALS

KENNETH AND BARBARA HOWARD,)	
)	
Appellants,)	APPEAL NO. 21-A-1027
)	
v.)	FINAL DECISION AND ORDER
)	
BONNER COUNTY,)	
)	
Respondent.)	
)	
)	
)	

RESIDENTIAL PROPERTY APPEAL

This appeal is taken from a decision of the Bonner County Board of Equalization modifying an appeal of the valuation for taxing purposes on property described by Parcel No. RP0004400A0010A. The appeal concerns the 2021 tax year.

This matter came on for telephonic hearing October 26, 2021, before Board Member Leland Heinrich. Appellant Kenneth Howard was self-represented. Bonner County Chief Deputy Assessor Dina Brown represented Respondent.

Board Members David Kinghorn, Leland Heinrich, and Kenneth Nuhn join in issuing this decision.

The issue on appeal concerns the market value of an improved residential property.

The decision of the Bonner County Board of Equalization is modified.

FINDINGS OF FACT

The assessed land value is \$601,116, and the improvements' value is \$38,059, totaling \$639,175. Appellants agree with the value of the improvements, but contend the correct land value is \$411,941, for a total value of \$450,000.

The subject property is a .611 acre rural residential parcel situated in the Cape Horn Estates subdivision located several miles east of Bayview, Idaho. The property

enjoys 132.44 front feet on the western shores of Lake Pend Oreille, just north of the Kootenai County boundary line. The property is improved with a small 8' x 10' shed, as well as a boat dock and lift.

Appellants were concerned with the increase in subject's land value over the prior year's valuation. Subject's lot was assessed at \$334,169 for 2020, and the initial 2021 assessment was \$917,794; a nearly 275% increase. Following a timely appeal by Appellants, the Bonner County Board of Equalization (BOE) reduced subject's land value to \$601,116, which figure includes \$13,000 for onsite improvements. Though the action by the BOE was appreciated, Appellants contended the reduction was arbitrary and not a realistic representation of subject's current market value. In Appellants' view, subject's land should be valued at approximately \$2,000 per front foot, not \$4,500 per front foot as currently assessed.

In support of reducing the valuation rate applied to subject's land, Appellants offered information concerning three (3) waterfront sales which transpired during 2020. The first was a property located within one (1) mile of subject, in neighboring Kootenai County. This property was a .427 acre lot with 100 waterfront feet. The property was improved with a 2,052 square foot residence with an attached two (2) car garage and boat dock improvements. This property sold in August 2020 for \$995,000. Sale No. 2 was also located across the Kootenai County line within one (1) mile of subject. The .752 acre parcel with 100 front feet on the lake was improved with a 3,177 square foot recently remodeled residence and a four (4) car garage. The property was further improved with a boat dock and lift. This property sold in June 2020 for \$995,000. Lastly, Appellants referenced a sale from Sagle, Idaho. This .25 acre parcel with 50 waterfront feet was

improved with a 1,542 square foot residence and a two (2) car garage, as well as a large dock, a boat lift, and jet ski lifts. The property sold in September 2020 for \$949,000. Appellants pointed to the extensive residential and recreational improvements enjoyed by the sale properties and questioned if subject's initial assessed value of \$955,853 was reasonable given the fact the property has no residential-type improvements other than a small shed.

Appellants additionally provided an independent fee appraisal of a property located in subject's neighborhood. The parcel was 1.42 acres in size, though the amount of water frontage was not indicated. The property was improved with a 1975 residence with 1,094 square feet on the main floor and 884 square feet of finished space in the basement. The appraisal included five (5) sales and one (1) active listing. Sale prices ranged from \$820,000 to \$995,000. Each sale property was directly compared to subject, and appraisal adjustments were made for differences in property characteristics. After adjustments, the appraisal report determined adjusted sale prices ranging from \$693,100 to \$839,900 and concluded a value of \$740,000 for the property as of June 20, 2020. Appellants argued this appraisal was further evidence the minimally improved subject property was over-valued.

Respondent explained there are few parcels in the Cape Horn neighborhood, and even fewer sales by which to determine assessments in the area. Respondent reported only one (1) sale from the subdivision during 2020. As this was the only recent data point available, Respondent relied on this sale to set values across the neighborhood. The sale property was a .34 acre lot with 77.5 front feet on the lake. The parcel was improved with a 1,936 square foot residence, with the footage equally distributed between the main floor

and the walk-out basement. Originally constructed in 1991, the sale residence was extensively remodeled prior to the sale in October 2020 for \$1,100,000. After removing the assessed value of the improvements from the sale price, Respondent discovered the assessed land value on the parcel was low. Based on this, Respondent concluded all land values in the subdivision needed to be increased to reflect 2021 market levels.

Respondent was unaware of the sales information provided by Appellants prior to the BOE hearing; however, after studying the sales, which ranged in price from roughly \$1,600 to \$3,200 per front foot, Respondent determined land values in subject's subdivision were too high and improvement values were too low. Therefore, Respondent proposed reverting subject's land value to the 2020 valuation of \$334,169 and increasing the value of the improvements by seventy-five percent (75%), from \$38,059 to \$66,603. Respondent contended these new proposed values better reflected subject's current market value and petitioned the Board to amend subject's valuation accordingly.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value in fee simple interest or, as applicable, exempt status. This Board, giving full opportunity for all arguments and having considered all the testimony and documentary evidence, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2020, in this case. Market value is always estimated as of a precise point in time. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed,

capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. The sales comparison approach, the cost approach, and the income approach comprise the three (3) primary methods for determining market value. *Merris v. Ada Cnty.*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Residential property is commonly valued using the sales comparison approach, wherein recent sales of similar property are compared to subject and appraisal adjustments are made for differences in property characteristics.

Neither party developed a traditional sales comparison approach model; however, both parties did offer recent sales data in support of their respective value positions. The Board's primary concern with the sales, however, was that the sale properties were fully developed with single-family residences and other residential and recreational improvements, whereas the subject property is improved with only a small shed and a dock with a boat lift. This naturally made it difficult to meaningfully compare subject to the sale properties. What was clear from the data, however, is subject's current valuation exceeds market value.

According to Respondent's calculations, the sales ranged in price from approximately \$1,600 to \$3,200 per front foot. Respondent suggested reducing subject's land value to \$334,169, or roughly \$2,500 per front foot. As this value rate is squarely within the range indicated by the sales, the Board will accept Respondent's proposal and reduce subject's land value to \$334,169, which includes the standard \$13,000 county-wide rate for onsite improvements.

Respondent additionally proposed increasing the value of subject's improvements by 75%, the same increase Respondent argued should be applied to all residential improvements in the neighborhood. Though the Board understands that from a mass appraisal perspective, which at its core strives to achieve equitable assessment using a broad valuation model, it does not appear the model fit the subject property particularly well in this instance. The 75% increase in residential improvements was derived from an analysis of fully improved waterfront sales. The subject property, however, does not have a residence and is only minimally improved. While residential improvements may indeed need to be increased broadly across the neighborhood, there was nothing in the record to suggest sheds and dock values should be similarly increased. Without evidence to support an increase in the value of subject's shed and dock improvements, the Board was hesitant to disturb the current valuation of the improvements.

Pursuant to Idaho Code § 63-511, the Appellants bear the burden of demonstrating error in subject's assessed value by a preponderance of the evidence. Given the record in this matter, the Board found the burden of proof satisfied. The parties agreed subject's land value was too high, leaving only the value of the improvements, which the Board did not find sufficient support to increase. Therefore, the decision of the Bonner County Board of Equalization is modified as detailed below.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bonner County Board of Equalization concerning the subject parcel be, and the same hereby is, MODIFIED to reflect a decrease in total value to \$372,228, with \$334,169 attributable to the land and \$38,059 attributable to the improvements.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellants.

Idaho Code § 63-3813 provides under certain circumstances that the above-ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 11th day of January, 2022.